

# A Budget Primer For Young Pastors

Applying several fundamental principles  
can take some of the uncertainty out of church finances.

by **C. Neil Strait**

The young pastor sat with his wife, staring blankly through the tears. The dream that had led him to his first pastorate had become a disaster. His problems stemmed from church finances, and he took little comfort in the fact that many young pastors before him had failed for similar reasons.

John had little financial expertise. His family was well-to-do, so finances seldom had been discussed in the home. His college and seminary training were underwritten, thus some important financial "learning experiences" were by-passed. The few courses in seminary had been elementary, and he hadn't thought much about church finances. Now the day of reckoning had dawned, and all the challenge and romance of ministry seemed to fade into nothingness.

Financial problems cast a heavy spell over all they touch. It's essential for a pastor to develop good financial tools to properly handle church finances. There are some basic steps to take in handling the finances of your church in these economy-chaotic days. Whether they serve as a primer course for new pastors or as a refresher course for established ministers, these basic principles can help develop successful church finances.

## ***Work Out a Budget***

A budget will establish the priorities for ministry and improve money management, as well as provide a periodic review toward goals achievement. The church budget reveals what the congregation thinks is worth an investment.

Three considerations should be made:

1. Carefully select the people who fashion the budget. If developed by a group whose sole purpose is to save money, a lot of ministry and not a little future will be sacrificed. Input should come from the leaders of the church who are on the front lines of making ministries happen, and who also have the future growth and spiritual development of the church at heart.

It's been said, "Non-tithers cannot have the same vision for a church as tithers." The giving base of a growing church in my district consisted mostly of those who were deeply dedicated to the evangelistic outreach of the church. They were primarily persons who gave beyond the tenpercent tithe. However, the board had invited some newer members into the financial planning session, hoping to involve them in a meaningful way.

As the session got down to the nitty-gritty of working out the budget, several of the newer members, who were not yet accustomed to tithing, voiced real opposition to budget expansions. Some of the core group talked to them about "giving a little more" for outreach, but the idea was received with resistance. The level of commitment, to a large degree, does determine final dollars in a church budget.

2. Budgets also should be put together by those who may not know finances, but they do know the church's priority to ministry. Although others may be experts in percentages and budgeting, they might miss the point of ministry by being overly concerned with the mechanics of finances.

One church asked three of its members who worked in the financial world to prepare its budget for the coming year. When it was returned to the board it had severe cuts and adjustments. Although financially sound, it presented a number of ministry problems. When the board discussed the various allocations, three things surfaced:

¥ The finance committee had given more attention to investing escrowed funds than they did funding for ministry.

¥ They had built in recession anticipations, ignoring inspiration giving.

¥ They had eliminated programs on a dollar-for-dollar basis instead of their usefulness in ministry.

3. The finalized budget must be the gauge for all spending. It's of little value to organize, plan, and underwrite a budget if it's going to be disregarded. Although there needs to be a planned process to approve extra expenditures, a church must learn to live within its budget.

An ambitious pastor I knew laid his dream for an expensive ministry before his church board. Some of the members saw the potential of the dream, but asked for time to consider it; some pointed out that the present budget would not be adequate for the ministry. They advised the pastor to scale down the plan to fit within the budget, and then complete the dream sometime in the future.

The young pastor ignored the signals. He rallied a group around his plan and forged ahead. Needless to say, the budget couldn't begin to handle it. Monies needed for utilities and current operating expenses were now threatened by other "irons in the fire," and when the board met to discuss the problem, strong voices were raised. A sharp division split the board, and three families left the church.

In retrospect, the pastor saw his mistake. Had he lived within the budget for the year and built his dream into a long-range plan, he could have had his plan and his people.

### ***Consider Zero-Base Budgeting***

Zero-base budgeting simply means that you totally re-evaluate each section and ministry when preparing the coming year's budget instead of simply adding a certain percentage to the existing categories. This helps in promoting those ministries that have produced results, and in eliminating those whose usefulness is over.

A downtown, traditional church in the east with a declining membership called a young pastor to its pulpit. He hadn't been there long when he called for a "brainstorming" session with the leaders to talk about the historic church. The pastor shared two reasons for calling the meeting: one, to find out where the church was in its mission and to chart its future; two, to identify its purpose and establish priorities before the budget was designed for the coming year.

In-depth discussions followed over the next few months. In preparation for the budget, the pastor requested that zero-base budgeting be used. He then set up several committees to research the existing ministries of the church. To the surprise of several, some of the oldest programs were programs in name only—they had ceased to be relevant. Another group was at work identifying potential ministries. They studied the community, assessed its needs, and explored how their church could minister to those needs.

When the budget committee met, it was able to delete dead-end ministries and incorporate meaningful ones. Zero-base budgeting had forced the church to see itself for what and where it was, and then chart a course of mission and growth.

### ***Insist On Accountability***

Gone are the days when the treasurer used to count, deposit, pay out, and raise money without anyone asking a question. No one on the finance team of the local church should be exempt from accountability. Three things result when accountability is built into the church organization:

1. Risks are kept to a minimum. Every church likes to feel it is corruption-proof, but churches are not exempt from temptation, dishonesty, and evil schemes. Controls should be established to eliminate potential problems by separating various jobs.

For example, the person who writes checks should not be assigned the responsibility of authorizing the expenditures.

2. Groups and individuals are kept from building a power base. Church treasurers often feel as though they own their church's money, and many are extra stingy with facts about the church's financial status. Trust is earned when the treasurer is required to make regular detailed financial reports; accountability confirms his ability and character.

A church in a small Ohio community discovered its treasurer of forty-three years had been mismanaging funds. Over several months an officer of the youth group had been placing funds with the treasurer to be escrowed for a trip they were planning. When the funds were requested to purchase tickets and complete other travel arrangements, the girl was told the fund was \$1,800 less than she had figured.

Her father went over her books to make sure she hadn't made a mistake. When he requested a meeting with the treasurer to help them find their error, the treasurer refused to make the books available, even when requested to do so by the pastor and

members of the board. Within the week the stately, white-haired treasurer resigned in disgrace. A stunned church thought it couldn't happen. Periodic accountability would have caught the problem much earlier.

3. Regular audits benefit and protect not only the church, but the treasurer too. Insist on yearly audits, and have them done by a qualified accountant. Although in-house audits will save you money, they won't tell you all you need or want to know about the financial records.

Honesty is important in both the budget and the financial records. Keep in mind these three points:

¥ Don't hide an item in the budget. Make sure the "miscellaneous" item doesn't get so big that it raises bigger questions than you can adequately handle.

¥ Don't solicit funds for one cause and use them for another.

¥ Don't change the figures to make them look good.

### ***Monitor the Finances***

If you're the pastor of a church without the benefit of paid help, your job of monitoring is gigantic. If you pastor a larger congregation with paid bookkeepers and financial expertise, your job of monitoring can be delegated, but is none the less important. Monitoring the budget is the eye that keeps the church and its financial goals on course.

To monitor doesn't mean to be a watchdog over all expenditures; it means that all facets of the budget are reviewed regularly and corrections are made when needed.

There are at least four items that should be covered through monitoring the church budget:

1. Cash flow. Cash flow makes funds available for immediate use without having to borrow, and it makes them available for emergencies, improvements, or pending bills.

Whether we know it or not, cash flow will tell us several things about what's happening in the church:

¥ It's an indication of stewardship; the acceptance of mission, ministry, and purpose by the congregation.

¥ When it decreases, it's the first warning sign that something might be wrong either with the economy or the church. Proper follow-through will give adequate time to check out matters as well as correct any malfunction in the church by scaling back expenditures and/or developing ways to increase income.

¥ When it increases, it might be the signal that ministries can be improved or expanded without awaiting the year-end accounting report.

2. Accounts payable. Accounts payable must be kept up to date. This doesn't mean that all bills are paid; it does mean that non-budgeted items are not paid in place of budgeted items. If many budgeted items are held in abeyance in favor of payment of non-budgeted items, then deficit spending will occur.

One church had a substantial insurance payment coming up. During the same period, several church members were advocating a night of special music, which would cost about the same amount as the insurance bill. They felt that if they would hold the bill, pay in advance for the special music groups, and then take a love offering the night of the concert, they would have the special music as well as the money for insurance. Well, there was a blizzard on the night of the concert, and only a handful of people showed up. Less than \$100 was raised and the insurance bill could not be paid.

3. Budget percentages. One should know as much about the percentages as he does about total dollars. Dollars raised and/or spent are meaningless unless they are placed against the number of months left in the budget. Before expenses can be scaled back or new components added to the existing budget, the decrease or increase must be put into the perspective of the entire year.

4. Legitimacy of expense. This is an area where close monitoring pays off in dollars and cents. It was not uncommon when I was a pastor, to have my secretary/bookkeeper "catch" a bill mailed to our church that should have gone to another "First Church" in a neighboring town. By monitoring our expenses and researching undocumented bills, we saved hundreds of dollars.

### ***Communicate the Financial Picture***

Too often, the only time we communicate with our congregation about finances is when money is needed. They need to know the total picture which includes the blessings. Communication creates a feeling of ownership in parishioners. The money comes from those who sit in the pews, and they have a right to know about the financial situation.

One midwest pastor had a slide presentation designed that graphically portrayed the intent and purpose of each budget item. Through such visuals the members identified with the items and were able to see how they fit into the total purposes of the church.

A woman in my former church was remarkably gifted in drawing cartoons. She offered her talents to visually present the need for library funds to the congregation, and made overhead transparencies that depicted people reading, listening to tapes, and using other resources from a library. Her drawing showed our people the benefits of improving the library, and as a result, upward adjustments were made to allocate more funds for this ministry.

However one chooses to communicate the financial picture of the church, one thing is certain- the congregation will get a message. If there is little communication, the message will be shrouded with suspicion, uncertainty, and questions. The congregation's response to opportunities is determined to a great degree by the financial message given.

### ***Watch Investments***

Not all churches need to worry about investing, but some need to consider it as a wise transaction. A church with inactive/escrowed funds should consider investing them in treasury bonds or whatever vehicles afford the most interest for shortest amounts of time and greatest security.

The following checklist is helpful regarding investments:

1. Determine what monies can or should be invested.
2. Determine if investment should be short-term or long-term.
3. Research investment potential. Use the services of a financial consultant who has some knowledge of the mission and methods of the church.
4. Determine before investing how income from such investments will be used.
5. Build in safeguards such as immediate access to investments in case of an emergency.
6. Keep investment research up to date especially on long-term investments, to realize greatest potential of yield. Guard against the investment that is one hundred percent secure, yet inflationprone due to its low yield.
7. Keep the church board informed of all investments.
8. Don't let the enticements of investments pull money away from meaningful ministries, thus thwarting the outreach of the church.

### ***Allow Room for Growth and the Unexpected***

In all the financial planning and control, there does need to be room for dreams, growth, and the unexpected, as well as for faith. Not all intrusions into the budget are unwelcomed. Sometimes a church is presented with an opportunity of faith, and it needs to have an available vehicle to respond to these opportunities without wrecking the budget. The "love offering" concept is one that comes to mind. Where the hearts and purses of God's people are open in love, the church will meet the needs God makes known.

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A pastor I know in the west has been at his church three years. He followed a free-spending pastor who had brought the church almost to financial collapse. He did three things-nothing profound-that turned the church around financially. He asked the church to set a budget and live within it; he communicated the financial needs and opportunities of the church, speaking of future goals instead of past failures; and he set up proper guidelines of monitoring and accountability.

The church is now growing and giving more than it ever has, and is enjoying a good financial year. Because this pastor has put the financial house of the church in order, he can give greater amounts of time to outreach and ministry, both of which will add to the financial base of the church.

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